



Dear Member,

Welcome to the California State Teachers' Retirement System. I am pleased to present the latest edition of the *Member Handbook*. Whether you are just beginning your career in education or are an experienced educator, this handbook will answer many of the questions you have about your benefit coverage. The information in it can help you make informed decisions during your active career and prepare fully for your retirement.

CalSTRS is the nation's largest teachers' pension fund and our dedicated, professional and conscientious staff work hard to improve service and responsiveness to your needs. Although we serve more than 715,000 California educators and their families, we are committed to providing exemplary service to each and every person who calls, writes or visits CalSTRS.

Service to CalSTRS members and the security of the Teachers' Retirement Fund remain our highest priorities. We look forward to assisting you throughout your career and retirement.

Sincerely,

A handwritten signature in black ink that reads "Jack Ehnes". The signature is fluid and cursive, with the first letters of "Jack" and "Ehnes" being capitalized and prominent.

Jack Ehnes
Chief Executive Officer

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Overview

The CalSTRS *Member Handbook* provides an overview of the programs and services administered by the California State Teachers' Retirement System. It has been prepared to answer frequently asked questions about your retirement system and to help you understand the benefits and responsibilities of membership in the CalSTRS Defined Benefit Program.

Changes

- Effective January 1, 2005, a new law extends the rights and duties of marriage, including CalSTRS survivor benefits, to registered domestic partners. It will require that your partner sign any application or form that currently requires a spouse's signature. More information will be available at www.calstrs.com before the new law goes into effect.
- A new law provides two retirement incentive programs that would increase either one or two of the elements used in calculating your CalSTRS retirement benefit. See page 17 for more information.
- A new law, effective January 1, 2004, includes in the definition of spouse a person who was continuously married to a member for fewer than 12 months prior to the accidental death of the member or for the period beginning prior to the occurrence of the injury or diagnosis of the illness that resulted in the member's death.

The Governor and Legislature from time to time make statutory changes that may affect your CalSTRS benefits—and that may affect any decision by you concerning your career or retirement. CalSTRS makes every effort to communicate these changes to our members, but legislation can undergo rapid change.

To stay informed about any possible changes, you should consult as many sources as possible including the California State Legislative Counsel Web site (www.leginfo.ca.gov), the CalSTRS Web site (www.calstrs.com), CalSTRS Customer Service (800-228-5453), CalSTRS benefits counselors or your union and elected legislative representatives.

Helpful Definitions

Creditable service and *creditable compensation* are terms that appear often in this handbook. The simple description of creditable service is the work activities that count toward years of service for CalSTRS retirement purposes. Creditable compensation, on the other hand, is the pay that members of the CalSTRS DB Program receive for creditable service that counts for retirement purposes. The Teachers' Retirement Law defines what counts and what does not count as creditable compensation.

The glossary in Section 11 will help to explain other concepts and terms you will find in this handbook.

If you need additional information, other resources are listed in Section 10, General Information.

A Brief History of CalSTRS

The California State Teachers' Retirement System was established by law in 1913 to provide retirement benefits to California's public school teachers. Membership in the CalSTRS Defined Benefit Program includes all employees in California public schools from kindergarten through community college in positions performing creditable service under the DB Program.

The Teachers' Retirement Board

The Teachers' Retirement Board sets the policies and makes rules for the California State Teachers' Retirement System and is responsible for ensuring benefits are paid by the system in accordance with law.

CalSTRS is administered by the 12-member Teachers' Retirement Board. It includes:

- Three member-elected positions representing current educators
- A retired CalSTRS member appointed by the Governor and confirmed by the Senate
- Three public representatives appointed by the Governor and confirmed by the Senate
- A school board representative appointed by the Governor and confirmed by the Senate
- Four board members who serve in an ex-officio capacity by virtue of their office: State Superintendent of Public Instruction, State Controller, State Treasurer and Director of Finance

The board appoints a Chief Executive Officer to administer the system consistent with the board's policies and rules. The board also selects a Chief Investment Officer to direct the investment of the Teachers' Retirement Fund in accordance with board policy.

The board has three standing committees: Audits and Risk Management, Benefits and Services, Investments and its subcommittee, Corporate Governance.

Teachers' Retirement Fund

The Teachers' Retirement Fund is a special trust fund established by law that holds the assets of the CalSTRS Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs. The assets come from contributions from employees, employers and the state of California. The fund's investments create a stream of income to add to those assets.

When selecting investments, the Teachers' Retirement Board applies standards of safety, diversification, liquidity and structure for a complete and profitable investment portfolio. The portfolio includes stocks, bonds, real estate and short-term investments. Within these categories, CalSTRS further diversifies by holding a variety of issues within each segment.

At the end of the 2003 fiscal year, the Teachers' Retirement Fund portfolio market value was \$100 billion. CalSTRS ranks as the nation's third largest public pension fund.

For further information about Teachers' Retirement Fund investments, visit the CalSTRS Web site at www.calstrs.com or call 800-228-5453 and select Teletalk message #802.